

HEXPOL Q1 2021 Presentation

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Georg Brunstam CEO
Peter Rosén CFO

April 28 2021

..... Q1 2021 Presentation

Presented by



Georg Brunstam
CEO

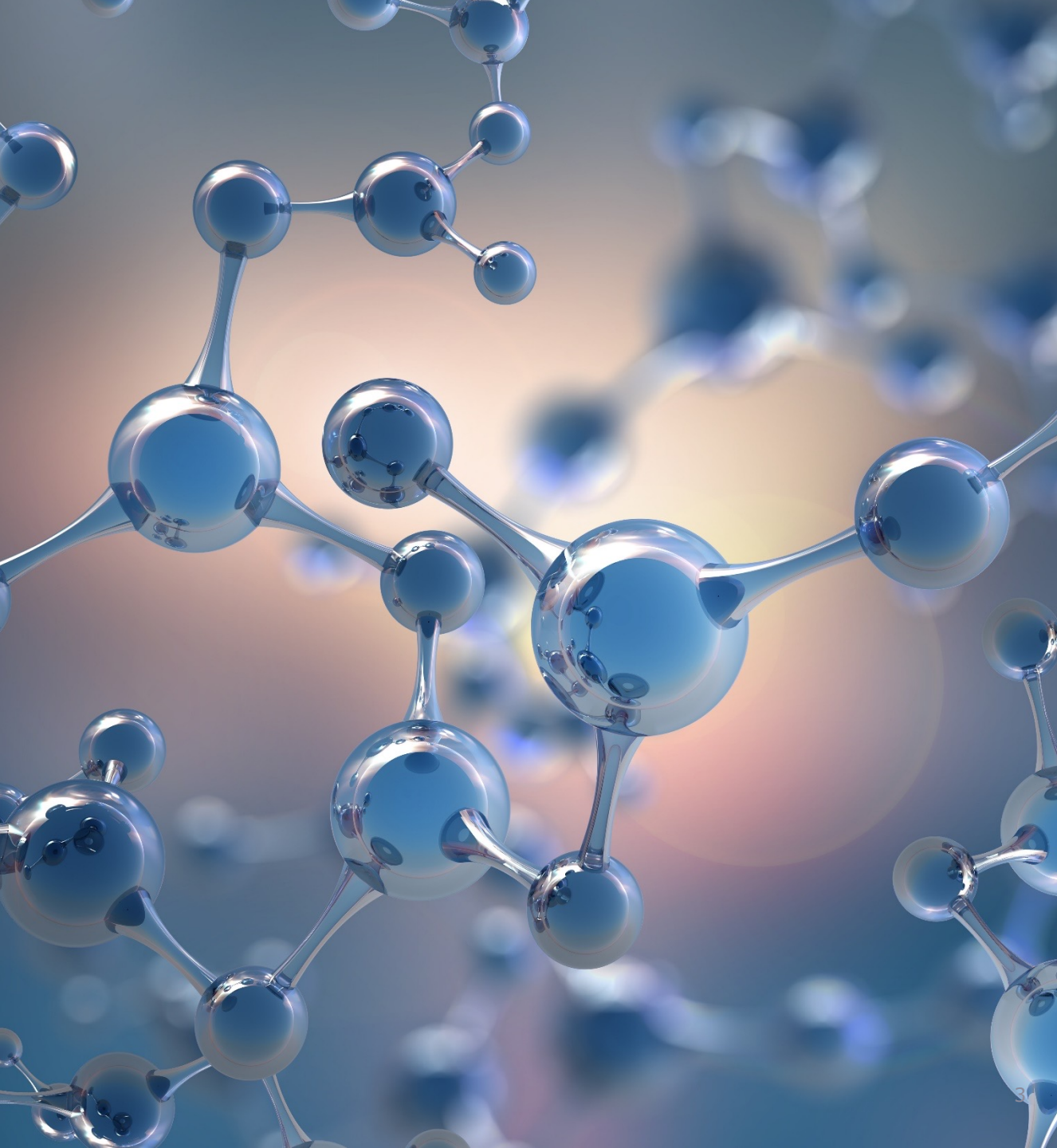


Peter Rosén
CFO

Agenda

- Business Performance
- Themes:
 - M&A
 - Sustainability
- Financial Overview
- Focus for 2021
- Q&A





Business Performance

..... Strong Sales and Lowered Cost Base Gave Best Quarterly Result Ever

- **Strong volume development in all regions despite global supply chain disturbances**
 - Good sales volume development in Americas and Europe and especially China
 - Sales and volume recovery seen with most customer segments while especially strong in automotive sector
 - Supply chain issues and semi conductor shortages at OEMs affecting
 - Substantial global supply issues and major price increases on raw material but well handled by experienced HEXPOL team
 - Sales negatively affected by FX effects
 - Sales at fixed 2020 FX rates amounted to 4 222 MSEK (4 168)
- **Covid -19**
 - All sites open but local out brakes create disturbances
 - Vaccination increasing everywhere and helps stabilize
 - Decentralized organization helps and works
- **Cost savings in place and the majority are structural**
- **Best quarterly result ever (so far) despite negative FX effects**
 - Operating Profit increased with 20% to 704 MSEK (587)
 - Operating Margin at high 18,5% (14,1)



..... Strong Execution on Updated Strategy and Increased Customer Focus

- **HEXPOL Compounding**

- Strong volumes in all regions
- Recovery stronger in Europe and China
- Recovery in many industry segments but especially strong in automotive segment
- Automotive strong in all regions
- Substantial EBIT improvement driven by good sales and lower cost base

- **HEXPOL Engineered Products**

- Sales in line with last year
- Strong sales in Asia
- Substantial EBIT improvement driven by good sales and lower cost base

- **M&A**

- High focus and increased activity level
- Two acquisitions in core business done so far this year in line with strategy, whereof one awaits normal regulatory approval



..... Strong Culture Delivering

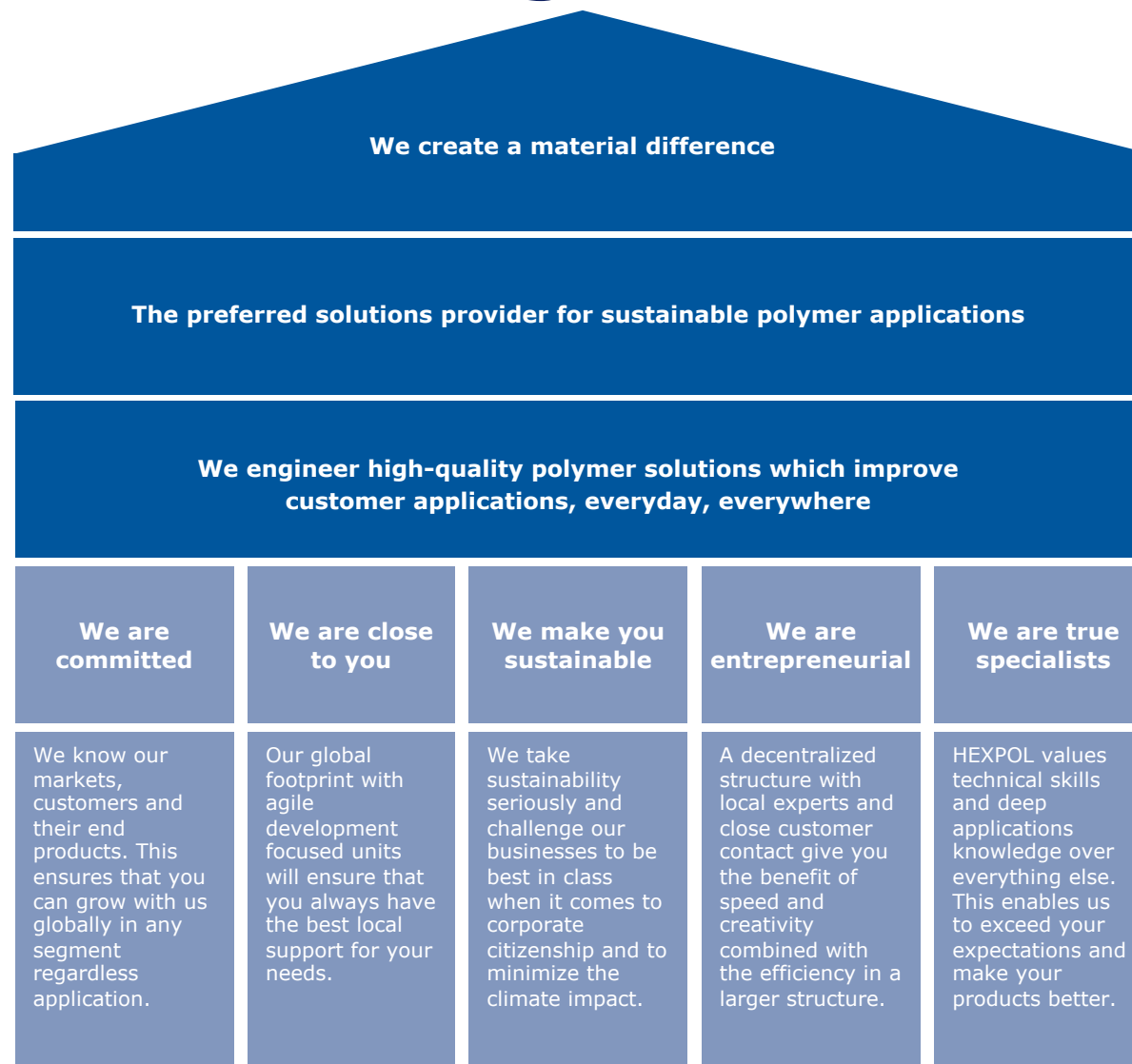
Purpose
The positive impact of what we do

Vision
Our long-term objective

Mission
What we do daily

Core values
Our fundamental beliefs that dictate our behavior

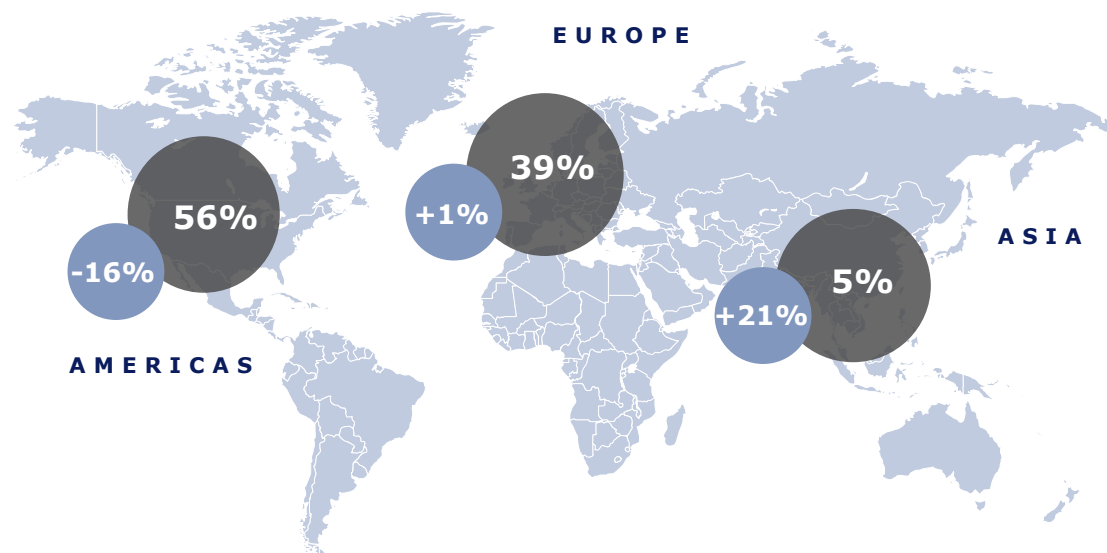
Rationale & evidence
Proof of what we say is true



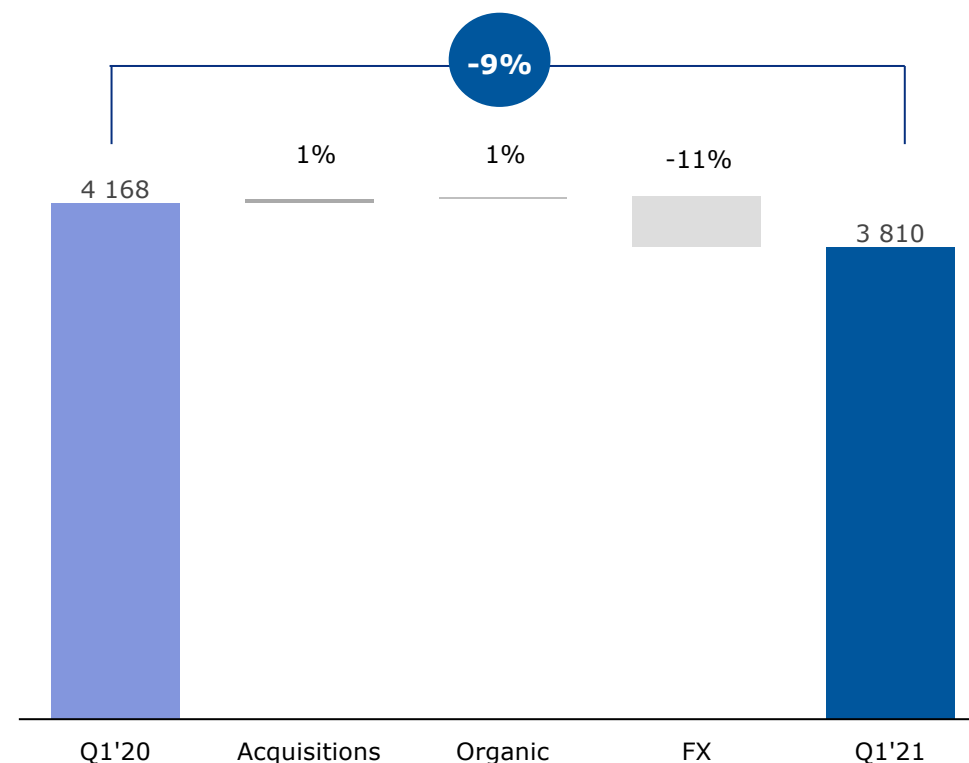
Q1 2021 Sales Development

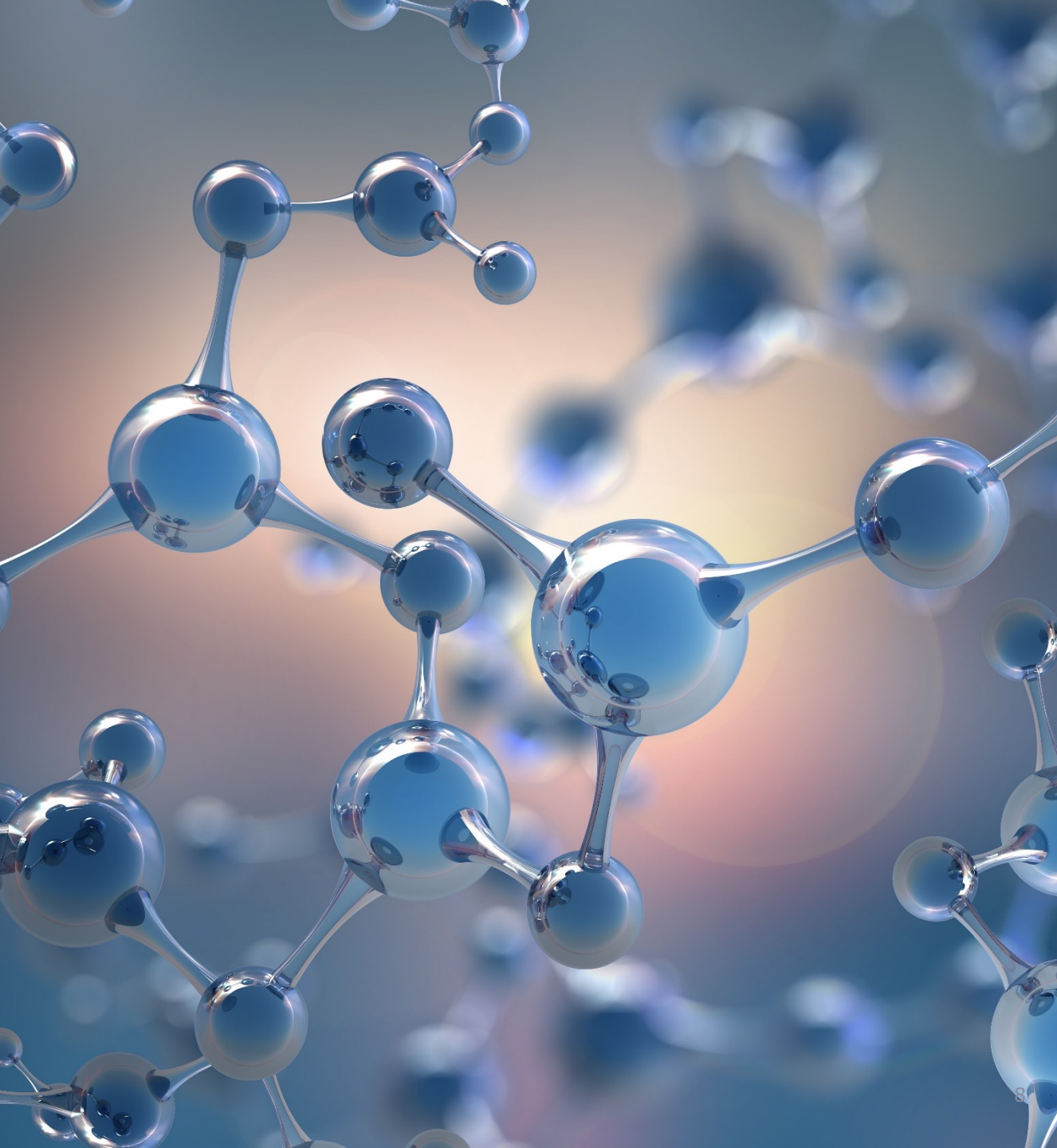
Organic volume and sales growth offset by 11% negative FX effects (mainly USD)

Regional Development



Sales development MSEK





Theme:

M&A

A Well-Positioned Company Creating Further Growth Opportunities Including M&A

Strong customer and customer development focus creates market share opportunities

	MARKET:	HEXPOL POSITION:	GROWTH OPPORTUNITIES:
Rubber Compounding	<ul style="list-style-type: none"> • Global market growth • Recovery in Automotive, B&C and General Industry 	<ul style="list-style-type: none"> • Leading position in Europe and Americas • Profitable niche position in China 	<ul style="list-style-type: none"> • Market share, new and existing customers • New applications • Fragmented market, giving many acquisition possibilities
High Performance Compounding	Global Market with structural growth	<ul style="list-style-type: none"> • Good European position in silicone compounding • Developing position in US and UK 	<ul style="list-style-type: none"> • Market share, new and existing customers • New applications • Geographical expansion • Attractive acquisition possibilities
Thermoplastic Compounding	Major global market with structural growth	<ul style="list-style-type: none"> • Good position in US (reinforced PP) • Weak position in Europe • No position in Asia 	<ul style="list-style-type: none"> • Market share, new and existing customers • New applications • Major acquisition possibilities
TPE Compounding	Global market with structural growth	<ul style="list-style-type: none"> • Good European position • Americas weak position • Asia weak but improving 	<ul style="list-style-type: none"> • Market share, new and existing customers • New applications • Geographical expansion • Attractive acquisition possibilities (few sellers)
Wheels	Global market with structural growth driven by e commerce / material handling	Good global position	<ul style="list-style-type: none"> • Market share, new and existing customers • New applications • Market consolidation, acquisition possibilities
Gaskets & Seals	Global market with growth, driven by environmental requirements	<ul style="list-style-type: none"> • Leading position in Europe and Asia (PHE) • Developing position in US 	<ul style="list-style-type: none"> • Geographical expansion

HEXPOL Rubber Compounding

MARKET

- Global market growth
- Recovery in Automotive, Building & Construction and General Industry

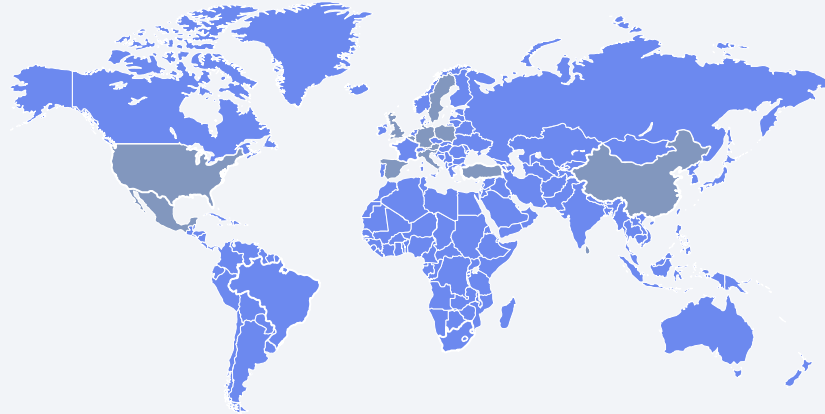
HEXPOL POSITION

- Leading position in Europe and Americas
- Profitable niche position in China

GROWTH OPPORTUNITIES

- Growth in Automotive, Building & Construction, General Industry.
- Geographic growth, in regions where we are not present or weak e.g. Asia, South and Eastern Europe, Canada, South America and regions within the US.
- Market share growth, with customer development and new applications

COUNTRIES WITH UNITS



COMPETITIVE LANDSCAPE

Fragmented market, few global competitors, many local players, many family and PE owned companies.

COMPETITORS:

Dynamix, AirBoss, Kraiburg, PTE, Elastorsa and many family-owned smaller players

KEY SEGMENTS & CUSTOMERS



- Automotive
- Building & Construction
- General Industry
- Wire & Cable

.....



GROWTH PLAN

- ⬆ Market share, new and existing customers
- ⬆ New applications
- ⬆ Fragmented market, giving many acquisition possibilities

..... Recent Acquisitions

In line with strategy, two acquisitions in core business

VICOM – 2 March 2021

Strong position in Southern Europe, in a segment favored by the global electrification trend. VICOM has high competence and capacity in Wire & Cable.

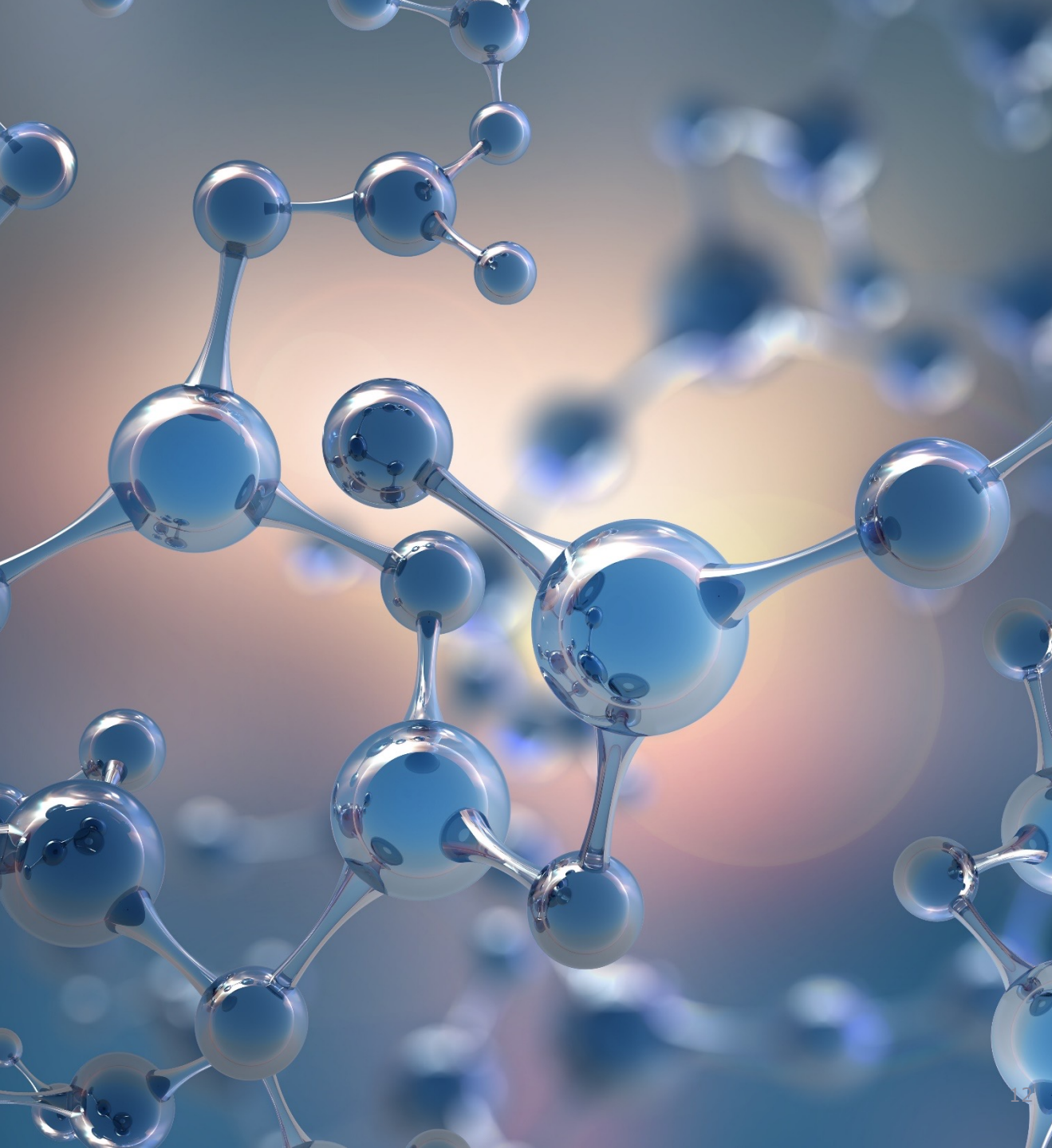
- Turnover: 30 M EUR
- Location: Vilafranca del Penedès (Barcelona), Spain

Unica – 12 April 2021

Strong position in Southern Europe, supplying demanding customers primarily within the automotive, construction and agricultural sectors. Perfect complement to our existing business, mainly active in other sectors.

- Turnover: 40 M EUR
- Location: Corella, Navarra, Spain
- Awaiting normal regulatory approval





Theme:

Sustainability

**Continuous improvement
based on long history**

Looking Ahead

We will further
reduce the
carbon footprint
of our energy use

- 75% reduction of CO2 emissions by 2025.
- Increase the purchase of fossil-free energy.
- Increase the energy-efficiency.
- Reduce the use of fossil fuels.
- Continue with installation of photovoltaics.

We will further
develop our
portfolio of
"green products"

- Increase the use of bio-based and recycled raw materials.
- Strategic and close collaboration with key suppliers on materials, processes and reporting.
- Implementation of circular materials into selected products.
- Provide information about the carbon footprint of our products.

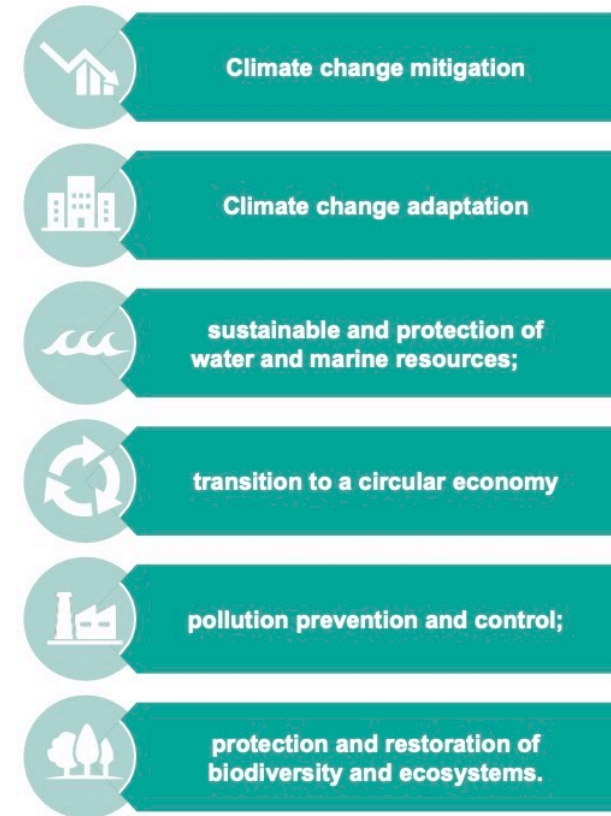
HEXPOL And The EU Taxonomy For Sustainable Activities

- HEXPOL is a large (>500 employees) and listed company. The Taxonomy is therefore applicable to HEXPOL's business.
- Investors will assess HEXPOL according to the EU Taxonomy. Methods and guidelines are under development.
- HEXPOL has to report (Annual report, Sustainability Report) according to the EU Taxonomy.
- The share of HEXPOL's revenues, Capex and Opex that is EU Taxonomy aligned should be reported. Methods, guidelines and good examples are not yet available.



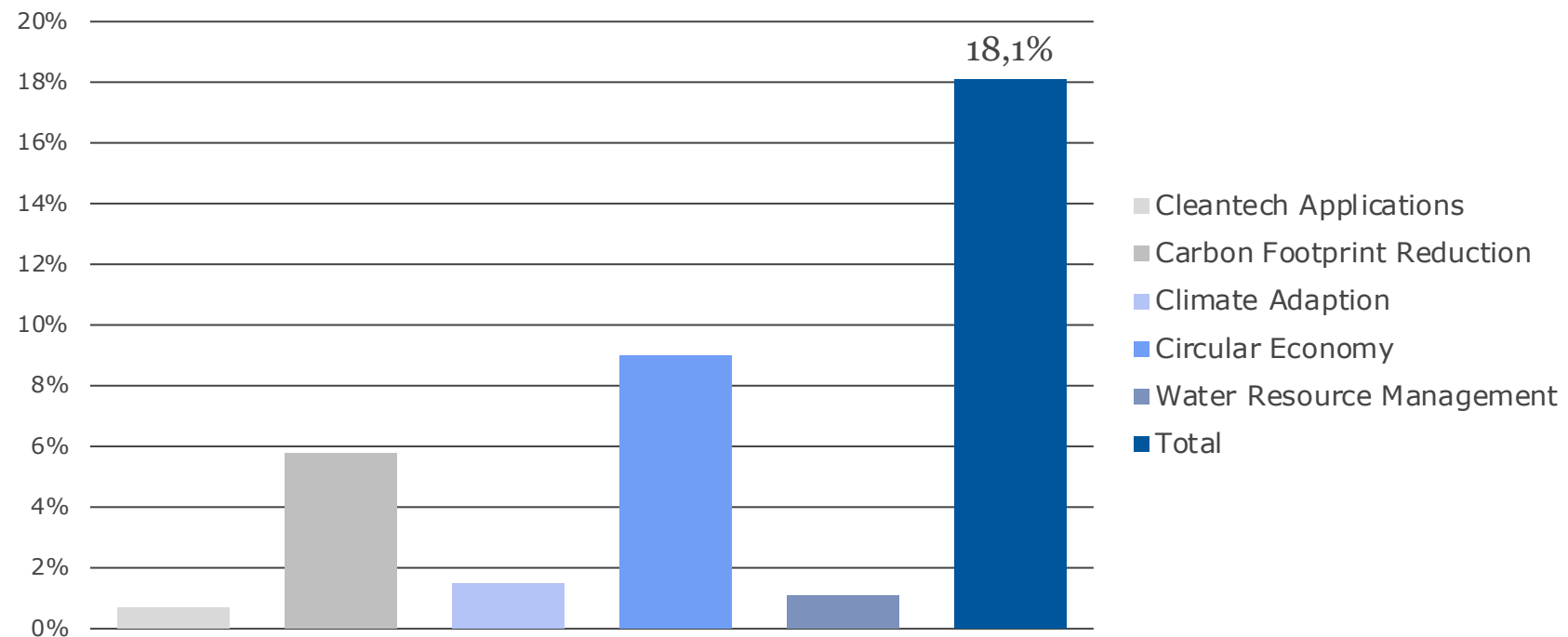
Our Approach To The EU Taxonomy

- There are no specific Technical Criteria for polymer compounders and converters such as HEXPOL.
- Based on the EU Technical Report, we have made a preliminary assessment of how much of HEXPOL's activities (net sales) that may be included in the EU Taxonomy.
- We used the six sustainability objectives as a starting point for the inventory of products that enables for customers and consumers to become more sustainable.



Preliminary Results According To The EU Taxonomy

EU Taxonomy Sales / HEXPOL Net Sales (%)



Internal estimates (31/12 2020) – based on current understanding of EU taxonomy definitions



Financial Overview

Q1 Financial Overview

Very strong result and margin despite negative FX effects



Key figures MSEK	Q1'21	Q1'20
Sales	3 810	4 168
Adjusted EBITA	721	607
Adjusted EBITA Margin, %	18,9	14,6
Adjusted Operating Profit	704	587
Adjusted Operating Margin, %	18,5	14,1
Operating Profit	704	537
Profit after tax	534	405
Adjusted Earnings per share, SEK	1,55	1,29
Equity/assets ratio, %	62	57
Operating cash flow	433	527

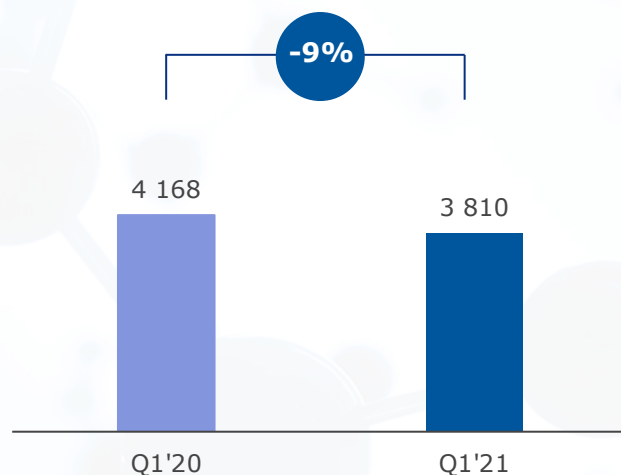
Highlights

- Negative FX effects of 412 MSEK on sales and 72 MSEK on Operating Profit
- Operating Profit of 704 MSEK, an increase of 20%
- Operating Margin of 18,5%
- Strong Equity/Asset ratio of 62%

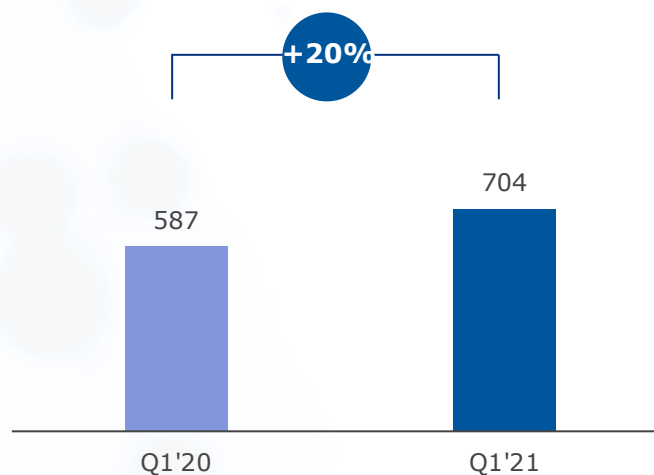
Q1 2021 Financial Highlights

Strong improvement of operating profit and margin

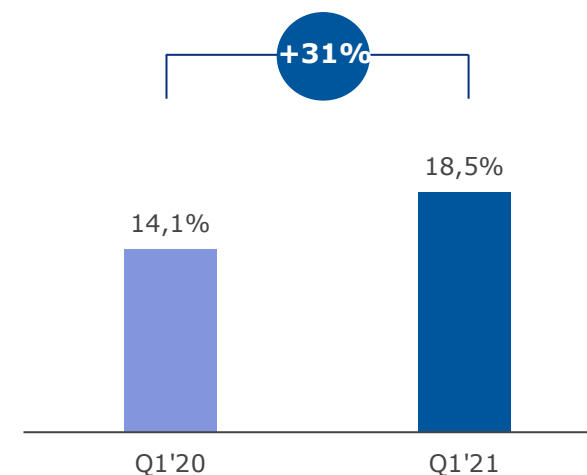
Sales
MSEK



Adjusted Operating Profit*
MSEK



Adjusted Operating Margin*
%

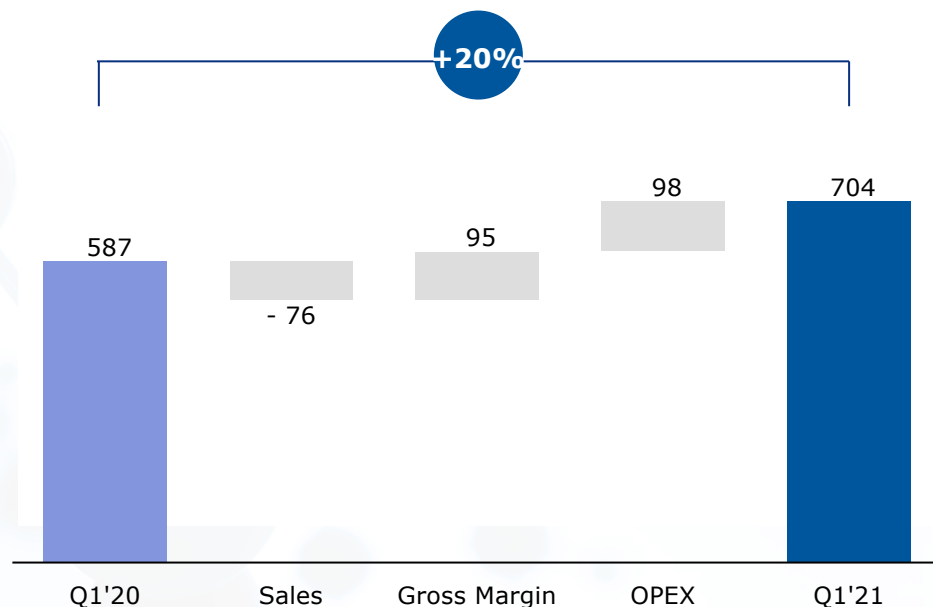


* Excluding restructuring costs

Q1 Adjusted Operating Profit

Very strong result and margins despite negative FX effects

Adjusted Operating Profit*
MSEK



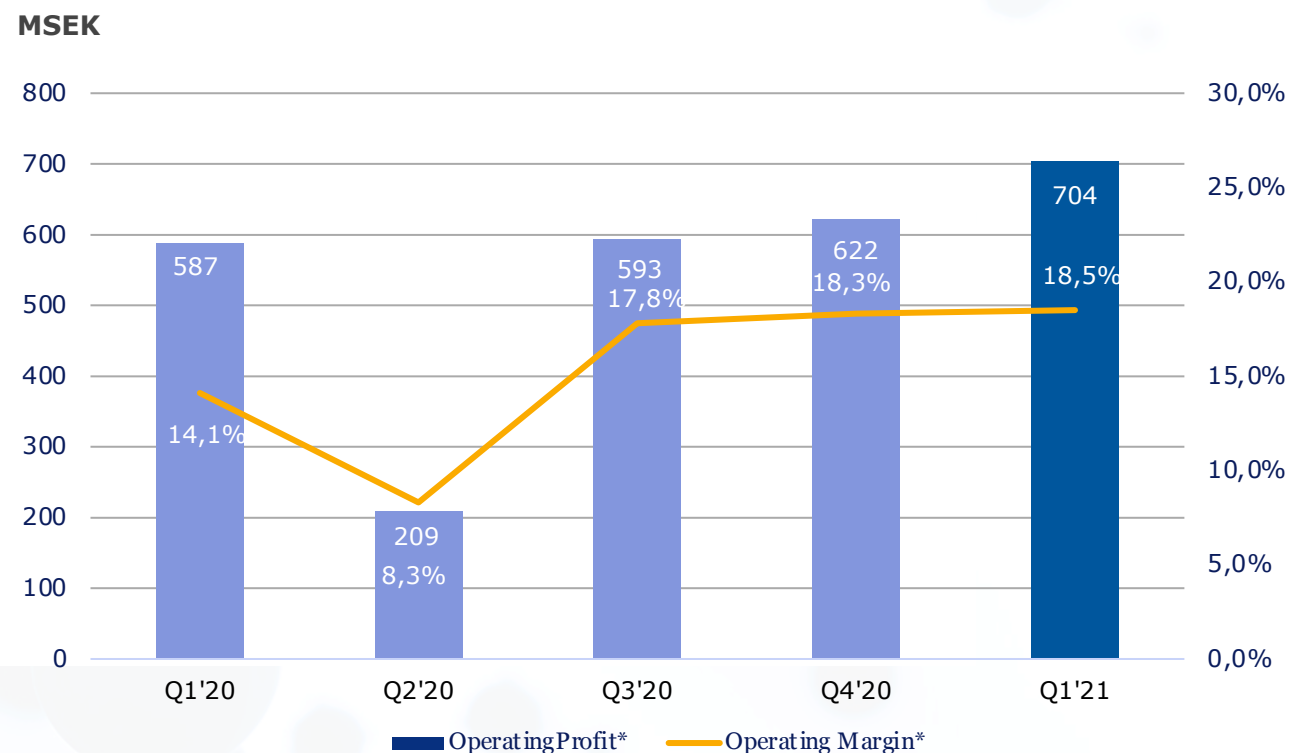
Highlights

- Negative FX effects of 412 MSEK on sales and 72 MSEK on Operating Profit
- Significant savings during the quarter in both direct and indirect costs
- OPEX well below last year

* Excluding restructuring costs

Adjusted Operating Profit and Margin

Substantial profit and margin improvement

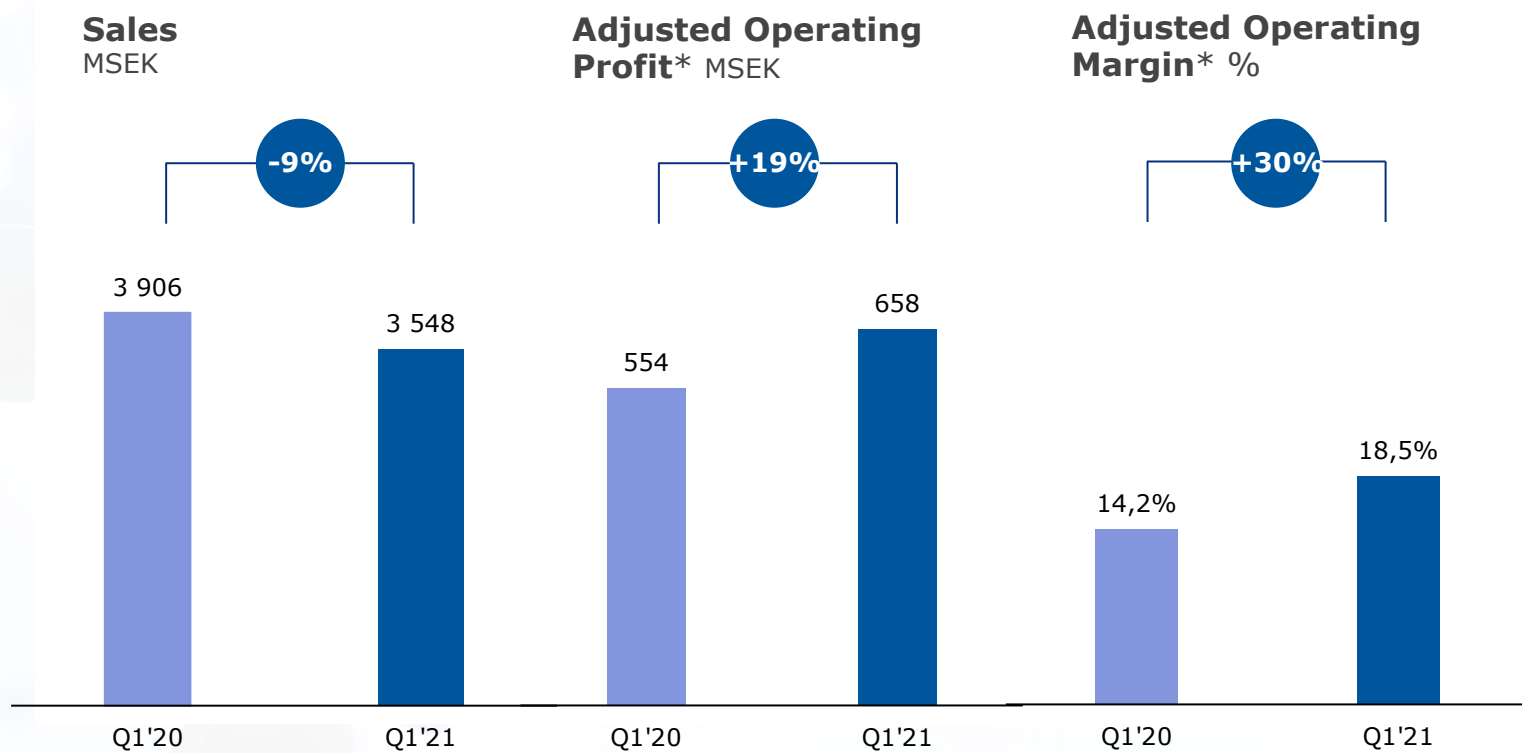


Highlights

- Continuous volume improvement combined with lower cost base give high Operating Profit and Operating Margin
- Majority of the cost savings are structural

* Excluding restructuring costs

Q1 HEXPOL Compounding



Highlights

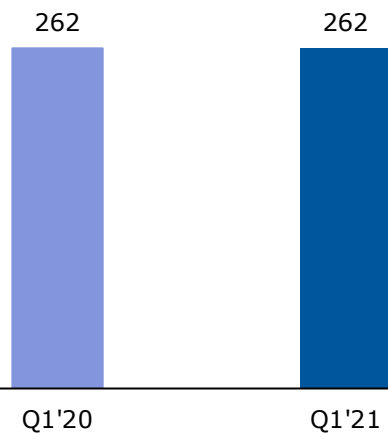
- Sales volumes increased both vs. previous quarter and vs. same period last year
- The higher sales volumes were primarily driven by higher demand from the automotive customers but also from building and construction customers
- Sales decreased vs LY driven by negative FX effect of 392 MSEK or 11%. Offsetting were higher organic sales of 1% and acquisitions 1%
- Operating Profit and Operating Margin increased substantially following on volume improvement on a lower cost base

* Excluding restructuring costs

Q1 HEXPOL Engineered Products

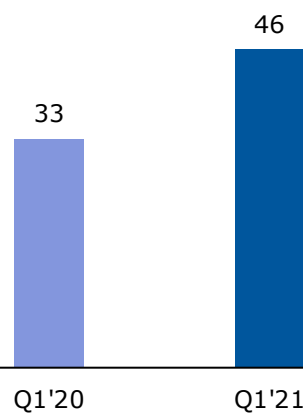
Sales
MSEK

0%



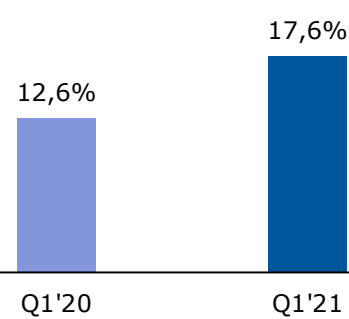
Operating Profit
MSEK

+39%



Operating Margin
%

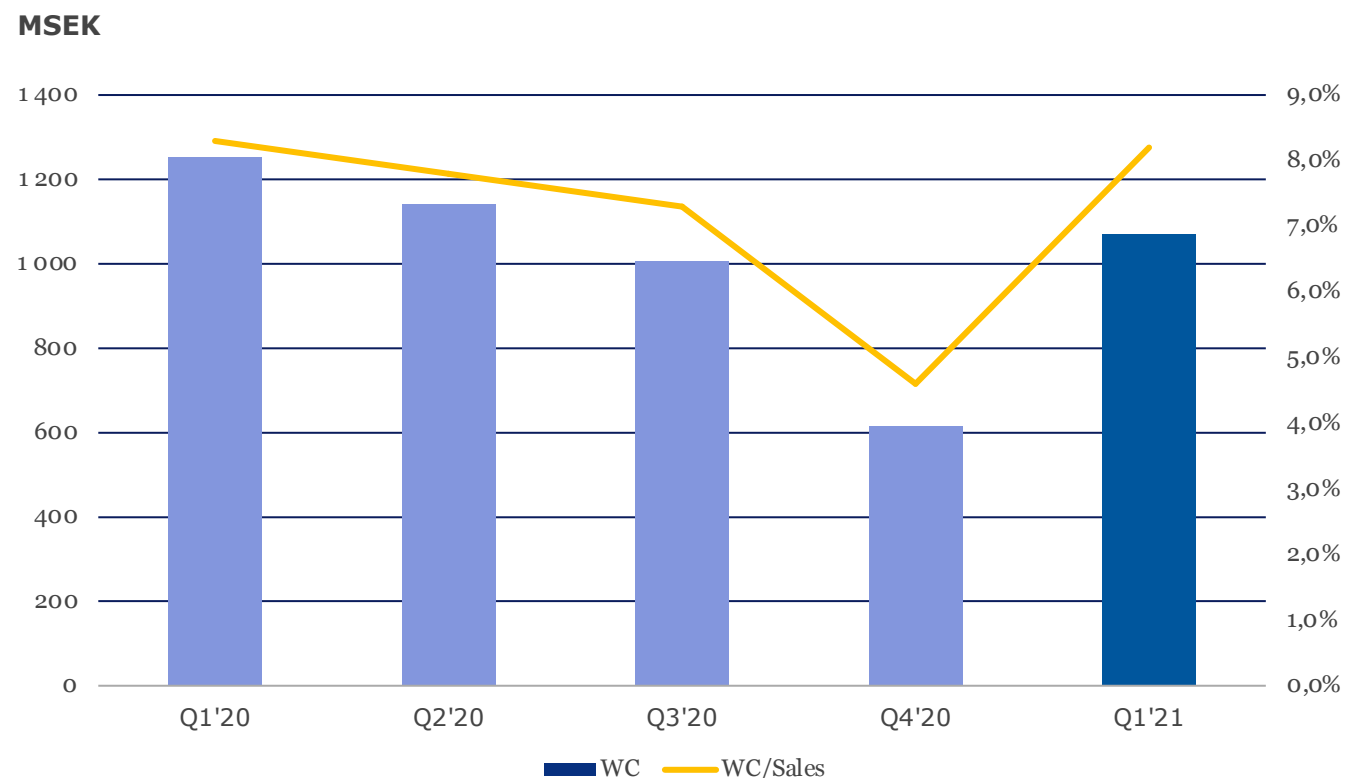
+40%



Highlights

- Sales were in line with last year
- Substantial Operating Profit and Operating Margin improvement following good sales and cost reductions

Q1 Working Capital

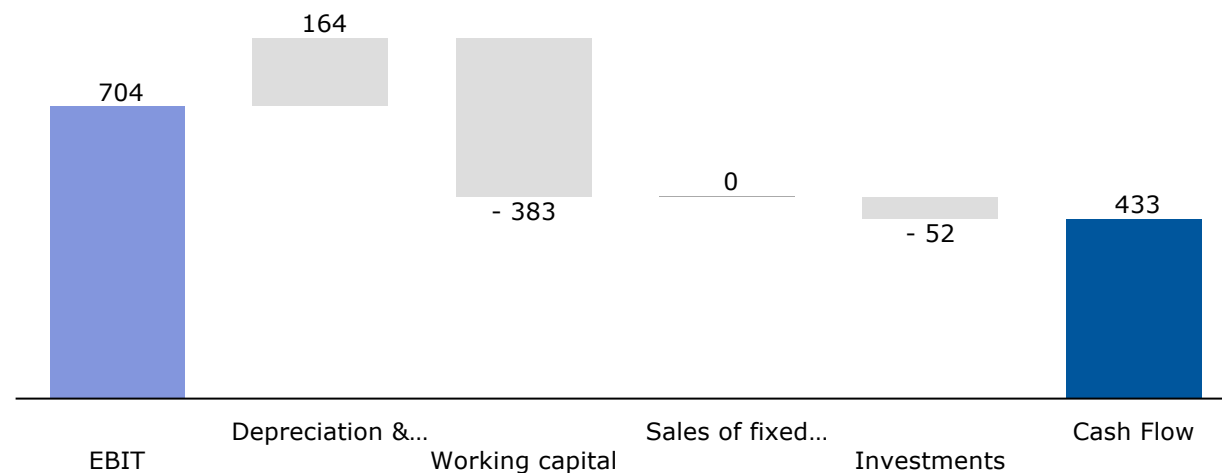


Highlights

- Year over year improvement in absolute terms while on same level in relation to sales
- Increase vs previous quarter driven by temporarily higher accounts receivables and inventory

Q1 Cash Flow

Cash Flow
MSEK



Highlights

- Strong EBIT offset by temporarily higher working capital
- Level of investments below depreciation. Depreciation includes 47 MSEK write offs related to the Jonesborough fire

Q1 Net Debt

Strong financial position



MSEK	31-mars 2021	31-dec 2020
Cash at hand	1 085	1 200
Used credit facilities	-2 581	-2 793
Net debt	-1 496	-1 593
Net debt/EBITDA*	0,58	0,67

* EBITDA is R12 months

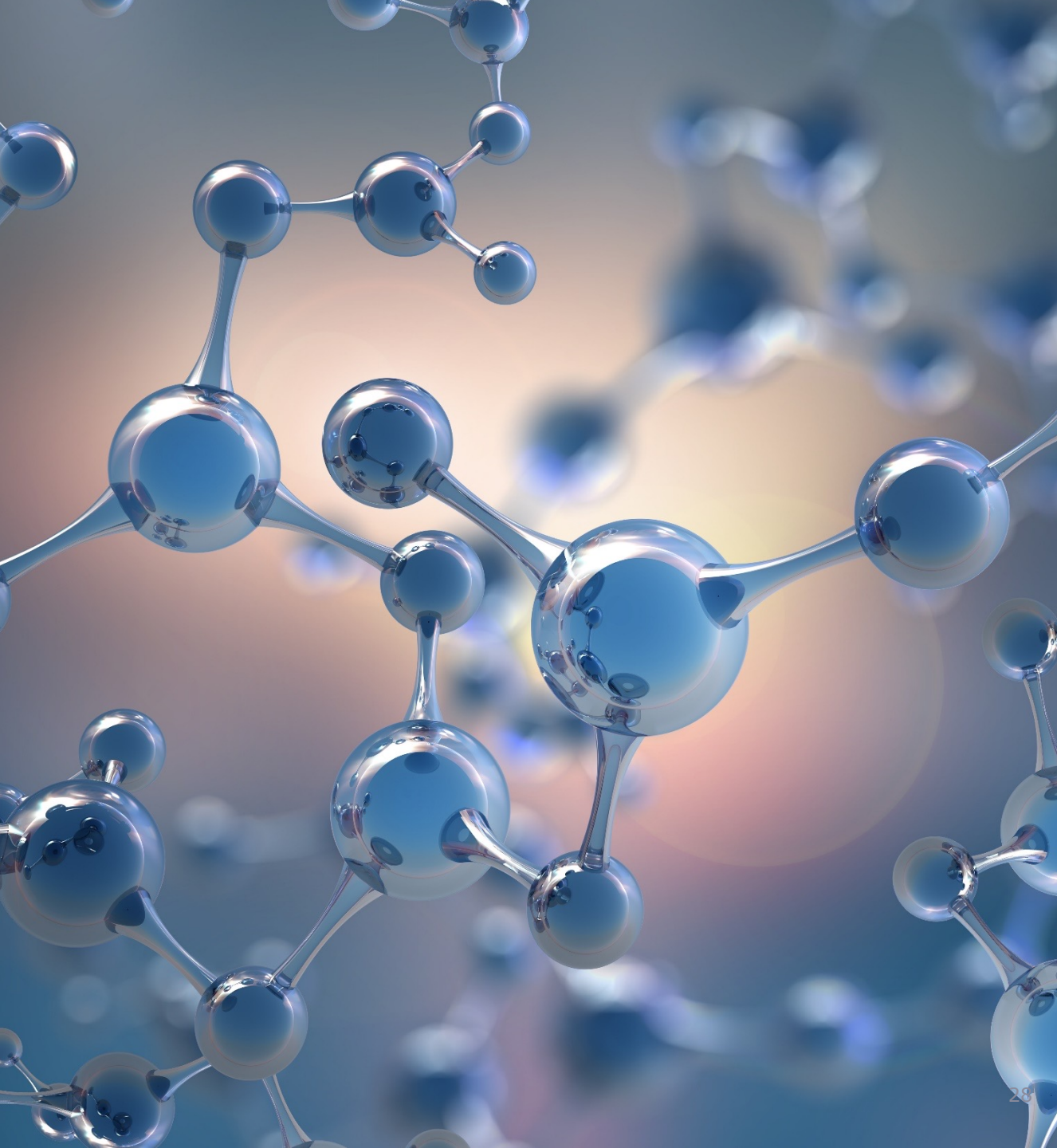
Highlights

- Strong cash position
- Strong and further improved Net Debt/EBITDA ratio

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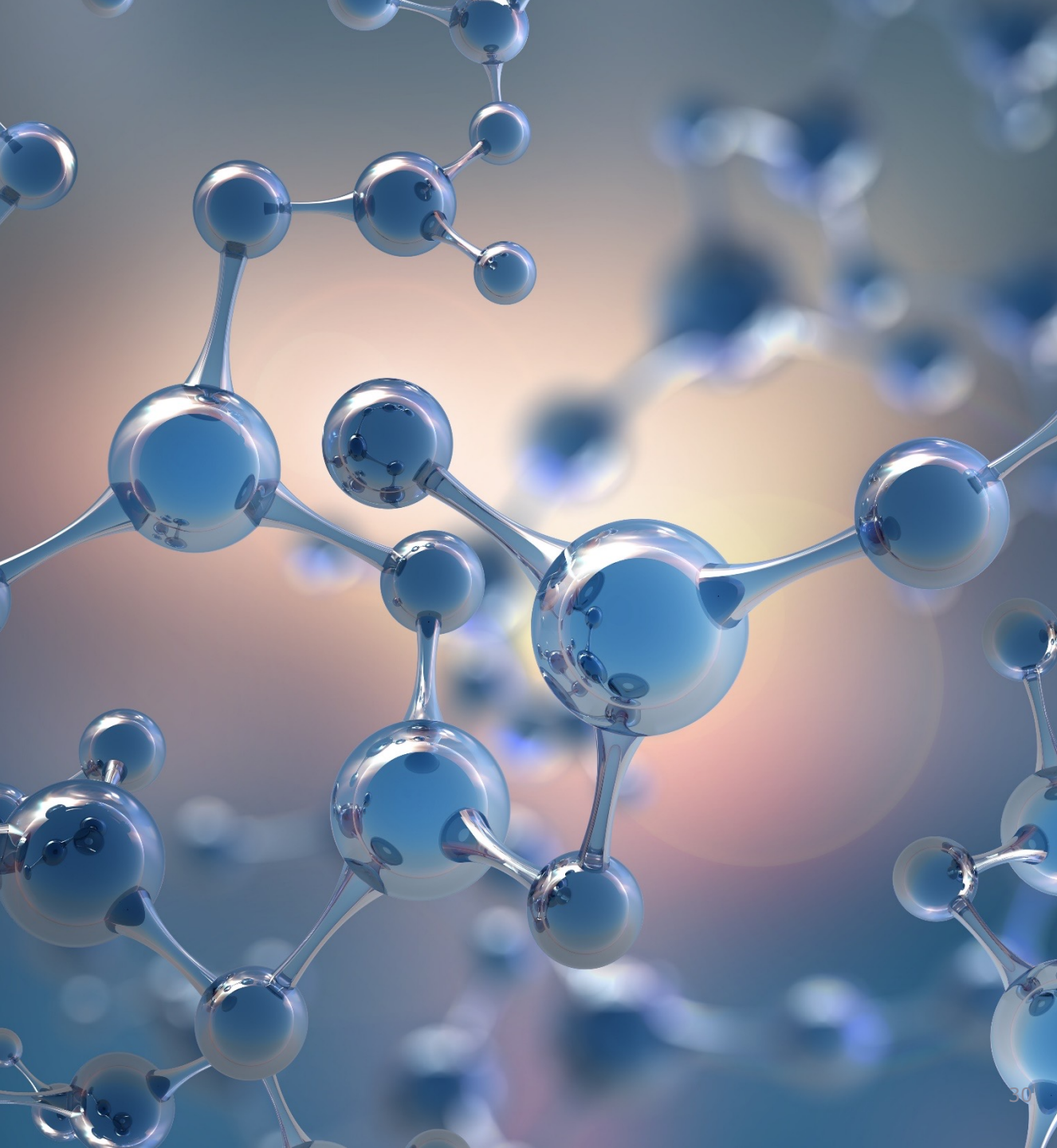


Focus for 2021

..... Focus for 2021

- Handle health and safety of our employees
- Continued strong execution of forecasted increased LVP production
- Manage volatility in demand
- Manage the current challenges in global supply chains and raw material prices
- Continue to evaluate our manufacturing footprint
- Continue to execute our updated strategy including:
 - Active M&A
 - Run our business model efficiently
 - Further development of our sustainability work





Q&A

Thank You

www.HEXPOL.com